

Message Text

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PAGE 01 NEW DE 07043 01 OF 02 151557 Z

43

ACTION AGR-20

INFO OCT-01 EUR-25 NEA-10 ADP-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PA-03

USIA-12 PRS-01 RSR-01 /146 W
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R 151415 Z JUN 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4980

INFO AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY LONDON

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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PASS AGRICULTURE

E. O. 11652: N/ A

TAGS: EAGR, IN

SUBJ: WEEKLY FOODGRAIN SITUATION

REF: A. NEW DELHI 6761, B. NEW DELHI 6438

BEGIN SUMMARY: THE MOST IMPORTANT DEVELOPMENT LAST WEEK WAS
A JUNE 14 MEETING IN DELHI OF STATE CHIEF MINISTERS AND FOOD
MINISTERS WITH GOI OFFICIALS. AT THIS MEETING SUPPORT PRICES
(FLOOR PRICES) WERE AGREED UPON FOR FOODGRAINS TO BE HARVESTED
THIS

FALL. ACTUAL PURCHASE PRICES WILL BE ANNOUNCED AT THE BEGINNING OF
THE HARVEST. FLOOR PRICES ESTABLISHED REPRESENT SOME INCREASE IN
PRICES TO BE PAID TO FARMERS BUT ARE LOWER THAN RECOMMENDED BY
SOME

STATE CHIEF MINISTERS AND FOOD MINISTERS. ESTIMATES OF THE CURRENT
WHEAT HARVEST AND PROCUREMENT PERFORMANCE CONTINUE TO BE
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PAGE 02 NEW DE 07043 01 OF 02 151557 Z

DISAPPOINTING. END SUMMARY.

1. STATE CHIEF MINISTERS AND FOOD MINISTERS MET WITH GOI OFFICIALS IN DELHI JUNE 14 TO REVIEW THE FOOD SITUATION AND DECIDE UPON PRICE POLICY FOR THE NEXT KHARIF (FALL) FOODGRAIN HARVEST. THE PRINCIPAL RESULTS OF THIS CONFERENCE, AS ANNOUNCED BY AGRICULTURAL MINISTER AHMED, ARE AS FOLLOWS:

A. IT WAS AGREED TO ESTABLISH SUPPORT (FLOOR) PRICES NOW AND TO ANNOUNCE ACTUAL PROCUREMENT PRICES AT THE BEGINNING OF THE HARVEST. PROCUREMENT PRICES CAN BE HIGHER (BUT NOT LOWER) THAN SUPPORT PRICES. THE GUARANTEED FLOOR PRICES COMPARED TO CURRENT PROCUREMENT PRICES ARE AS FOLLOWS: PADDY-- A UNIFORM FLOOR PRICE OF RS 63 PER QUINTAL COMPARED TO PRECENT PROCUREMENT PRICES OF RS 49 TO 58 PER QUINTAL DEPENDING ON QUALITY AND AREA OF PRODUCTION; MILO AND CORN-- RS 63 PER QUINTAL FLOOR PRICE COMPARED TO PRESENT PROCUREMENT PRICE OF RS 58 PER QUINTAL; SPIKED MILLET-- RS 65 PER QUINTAL COMPARED TO RS 60 PER QUINTAL AND SMALL MILLET (RAGI) RS 62 PER QUINTAL COMPARED TO RS 57 PER QUINTAL. SOME CHIEF MINISTERS AND FOOD MINISTERS STRONGLY URGED HIGHER SUPPORT PRICES BUT THEIR VIEWS DID NOT PREVAIL.

B. THE CONFERENCE ADOPTED A BONUS SCHEME FOR ENCOURAGING INCREASED WHEAT SALES TO THE GOVERNMENT. THIS PLAN ENTITLES THE STATES TO RECEIVE FROM THE CENTER RS 4 FOR EVERY QUINTAL OF WHEAT SOLD TO THE GOVERNMENT BETWEEN 25 AND 50 PERCENT OF THE PROCUREMENT TARGET, RS 5 FOR EACH QUINTAL BETWEEN 50 AND 75 PERCENT OF THE PROCUREMENT TARGET AND RS 7 FOR EACH QUINTAL BETWEEN 75 AND 100 PERCENT OF THE TARGET. ANY STATE PROCURING WHEAT BEYOND THE TARGET WILL RECEIVE RS 10 PER QUINTAL AS A BONUS. BONUSSES WILL BE BASED ON TOTAL SALES TO THE GOVERNMENT THROUGH JULY 15, 1973. DETAILED PLANS FOR IMPLEMENTING BONUS PAYMENTS TO FARMERS WERE LEFT ENTIRELY TO THE STATE GOVERNMENTS.

2. THE OVERALL FOODGRAIN SUPPLY/ PRICE SITUATION REMAINED RELATIVELY STABLE DURING THE PAST WEEK. THERE CONTINUES TO BE APPREHENSION, HOWEVER, PARTICULARLY IN BOMBAY AND OTHER URBAN CENTERS OVER THE UNCERTAINTY OF A C
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PAGE 01 NEW DE 07043 02 OF 02 151604 Z

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R 151415 Z JUN 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4981

INFO AMEMBASSY ISLAMABAD

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6. DURING THE FIRST TWO WEEKS OF THE MONSOON SEASON, SOUTH AND CENTRAL INDIA RECEIVED GOOD RAINS AND THE MONSOON IS MOVING NORTHWARDS ON SCHEDULE. INDIAN METEOROLOGISTS CONTINUE TO FORECAST A GOOD MONSOON SEASON. BOMBAY CONGEN OFFICERS REPORT THAT FARMERS IN THE DROUGHT STRICKEN AREAS OF SOUTHWEST INDIA ARE RETURNING TO THEIR FARMS AND PREPARING THEIR LAND FOR PLANTING KHARIF CROPS.

7. COMMENT: THE ANNOUNCEMENT OF FLOOR PRICES FOR THE NEXT KHARIF FOODGRAIN HARVEST AT LEVELS HIGHER THAN PRESENT PROCUREMENT PRICES IS A STEP IN THE RIGHT DIRECTION. A MORE SATISFACTORY PROCEDURE FROM THE VIEWPOINT OF FARMERS WOULD HAVE BEEN THE ANNOUNCEMENT OF A FIRM AND ATTRACTIVE PROCUREMENT PRICE-- THUS ELIMINATING THE AREA OF UNCERTAINTY WHICH CONTINUES TO EXIST. THE OBVIOUS ATTITUDE OF THE GOVERNMENT IS TO OBTAIN AS MUCH FOOD AS POSSIBLE FROM THE FARMERS AT THE LOWEST POSSIBLE PRICE. THIS ATTITUDE WILL NOT ENCOURAGE FARMERS TO MAXIMIZE THEIR EFFORTS TO INCREASE PRODUCTION.

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PAGE 02 NEW DE 07043 02 OF 02 151604 Z

8. EMBOFFS DO NOT BELIEVE THAT THE BONUS SCHEME FOR INCREASING WHEAT SALES BY FARMERS TO GOVERNMENT AGENCIES WILL HAVE A SUBSTANTIAL EFFECT ON OVERALL PROCUREMENT. WE CONTINUE TO BELIEVE THAT TOTAL WHEAT PROCUREMENTS WILL NOT EXCEED LAST YEAR'S TOTAL OF 5.1 MILLION TONS. IT WILL BE VIRTUALLY IMPOSSIBLE AT THIS LATE HOUR TO DEVELOP AND IMPLEMENT A BONUS PROGRAM THAT WOULD BE EQUITABLE TO ALL PRODUCERS INCLUDING SMALL FARMERS WHO SOLD ALL OF THEIR MARKETABLE WHEAT TO THE GOVERNMENT EARLIER IN THE SEASON.

9. IMPORTANT QUESTIONS WHICH WERE NOT DISCUSSED AT THE CHIEF MINISTERS' CONFERENCE INCLUDE (A) THE INCENTIVE PROCUREMENT PLAN PROPOSED BY MR. T. A. PAI'S TASK FORCE (PARA 3 REF B), (B) THE PROPOSED GOVERNMENT TAKEOVER OF WHOLESALE TRADE IN RICE, AND (C)

FOODGRAIN ISSUE PRICES AT FAIR PRICE FOOD SHOPS.

10 PRIME MINISTER GANDHI LEFT INDIA JUNE 15 FOR VISITS TO
YUGOSLAVIA AND CANADA. FOODGRAIN PURCHASES WILL BE DISCUSSED
WITH CANADIAN OFFICIALS. SOME GOI OFFICIALS IN AGRICULTURAL MINISTRY
ARE CONCERNED OVER CONTINUED DELAYS IN FINALIZING ARRANGEMENTS FOR
ADDITIONAL FOODGRAIN IMPORTS. THIS CONCERN HAS BEEN MAGNIFIED BY
THE EXPORT RESTRICTIONS PROPOSED BY PRESIDENT NIXON ON JUNE 13.

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BOMBAY
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ISLAMABAD
KATHMANDU
LONDON
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